

## Investigating the effect human resources management audit on improving key outputs of organization in Mobarakeh Steel Company

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**Abstract:** The main purpose of this study is investigating the Effect human resources management audit on improving key outputs of organization in Mobarakeh steel company. It is an applied-descriptive research. Statistical population includes some managers of Mobarakeh steel company. Questionnaire was used to collect data. Results of this research showed that human resources management audit impacts positively on improving key outputs of organization. According to results of this investigation, human resources management audit improves these outputs.

**Key words:** *Human resources management audit; Key outputs of organization; Mobarakeh steel company*

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### 1. Introduction

Achieving sustainable productivity, creativity and innovation and having suitable work quality depends on having an efficient, effective, intelligent and committed human resource management (Halagera, 2007). To achieve these goals, human resource management performance evaluation is needed as a link target of organization and staffs. Its information could reveal weak points and strengths and lack of proportion between activities and performance of human resources management in order to reveal necessary reforms, or impact on outputs of organizational human resources to improve overall performance of organization (Cascio, 1992).

Audit is a systematic activity in order to assess a person, an organization, a system, a process, a project or a product. The purpose of the audit is to express an opinion about a person, organization, a system etc. in terms of evaluation, based on done work for a test (Clifton et al., 2004).

There are some problems in Mobarakeh steel company including Problems of air pollution, noise pollution, the problems caused by the high number of staff who come to work from surrounding towns, hardness of work, physical damage, etc. All of these problems signify a strong human resource planning and management in this complex (Chen et al., 2007).

Audits of human resources management are significant elements of evaluating human resources department. As these audits are implemented to evaluate activities of human resources activities, experts believe it could show quality of human resources inside the organization and report quality of performance of their human resources management (Ulrich, 1997).

Audit could improve quality of performance of human resources. It could decrease leaving work degree. Therefore organizational outputs and performance of organization would be increased (Halagera, 2007).

#### 1.1. Human resources management audit process

Audit of human resources management means systematic analysis and evaluation of efficiency and productivity (Gallie, 2003). It shows how much performance of human resources management has impact on improvement of productivity and efficiency and reducing costs (Bostani Omleshi, 2009). This process is shown in Fig. 1.

Audit of human resources management provides 3 objectives as determining efficiency of human resources management work, determining proficiency, assigning efficiency or proficiency.

#### 1.2. Aspects of audit of human resources management

According to investigations, audit of human resources management is divided into evaluations including essential affairs before and after employing all staffs of company. It includes all activities and processes for new staffs, bringing them at work, their participation in profit programs, providing security of their information, their participation in outputs of company in voluntary form or other forms (Khaef Elahi et al., 2010).

Dolenco et al., (1990) has divided performance evaluation regions and efficiency and performance of human resources management into 7 main parts as follows:

Planning and programming human resources, employing, training, evaluating performance, relationship among employers, awards, premium,

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information systems of human resources including management of Product supply chain management and customer relationship management (Dolenko, 1990).

Olrish and lick (1990) confirmed results of Dolenko et al., investigation. They believe that audit of human resources management activities requires

an evaluation of services offered by department and human resource department. They suggest that services and activities of human resources management is divided into 6 parts as follows: employment, evaluation of performance, training/development, rewards, supervision and managing organization, communications).

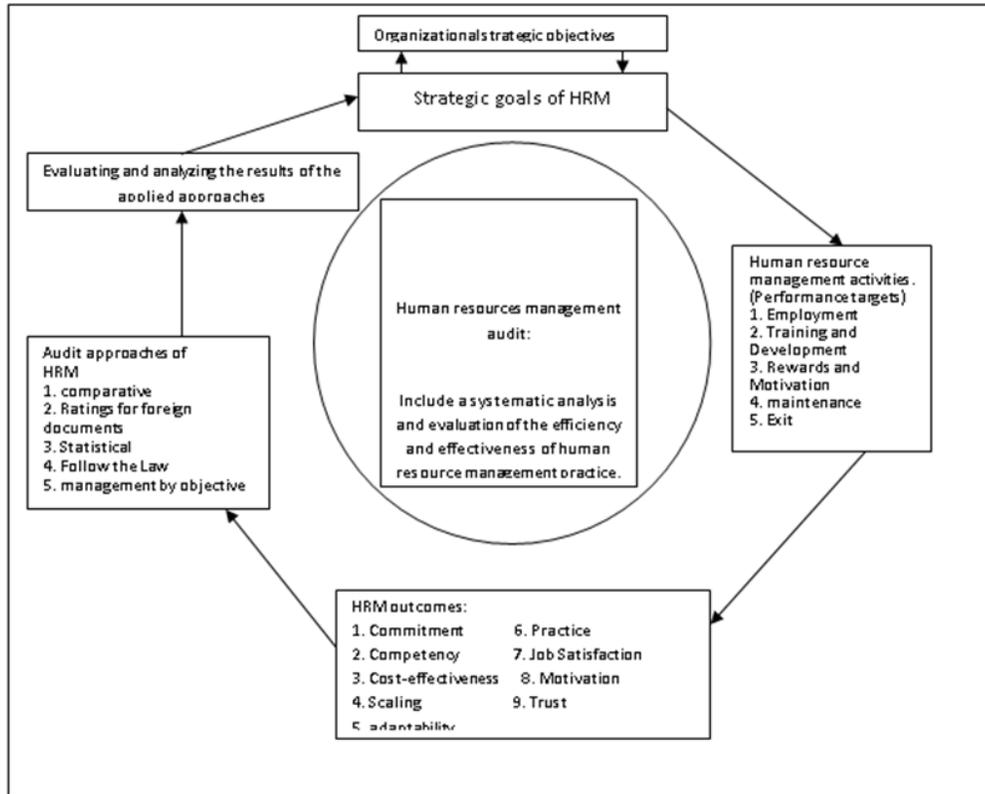


Fig. 1: The human resource management audit process (Eagle, 2003)

In this study each zones, methods, and different services would be offered by human resources management. It could be formed for each zone or

zone 4 (customer value, cost, profit, investigation). It is shown in Table 1.

Table 1: Operations Audit (HRM practices) (Ventresca, 2008)

Realm of Human Resource Management	Activity (what they do)	Customer Value (Understanding how to do)	Cost / benefit (agenda for how to do)	Research (assessment of how you're doing)
choosing personnel (recruitment, orientation, elevation, tips for job)				
Development (education and career planning)				
Evaluation (reviewing performance and setting goals)				
Remuneration and bonuses (bonuses)				
Corporate governance (workflow, forming teams, work policies, process improvement)				
Communications (employee relations and employee interactions and reactions)				

Results of audit of human resources management activities

Some important results are obtained about audit of human resources management activities by investigation review.

George (1986) investigated about effects of human resources management audit on organizational outputs as audits of operations and human resources management methods. According to this research, Organizations should implement periodically audits of human resources management

in order to determine whether methods and operations of human resources management have been implemented effectively (Clifton et al., 2004).

A beneficial strategy of audit of human resources management focuses on operations and methods of human resources management in 3 levels as: strategic, management and operational (Mathew, 2007). Elements of an audit of human resources management includes:

### 1.3. Determining objectives of audit

Evaluating level of dependence of human resources management to strategic commercial plan of organization, Assigning policy-making topics and programs which require attention of top-manager, providing practical plans to correct expanded problems of human resources management. Therefore, audit of human resources management participates in following items (Kaplan et al., 1996):

Evaluating efficiency of human resources department

To agree with regulations and accepting policies, regulations, and processes

Participation of performance of organizational strategic objectives.

Developing skills of staffs and human resources department by testing their performance by studying management precisely

Improving role of performance of human resources department by management by proving whether audit is helpful in profitability level.

Totally, results of audit of human resources management shows positive effect of this kind of audit on total performance of organization.

Therefore, this kind of effectiveness could be searched on performance and outputs of organization into 3 frames of effectiveness of audit of human resources management on efficiency, quality of work life and profit. In work life quality area,

Olrish believes that audit of human resources management results in measurement and determining the following in dexes:

Suitable respectful behavior with all staffs, expanding meaningful jobs for handicapped staffs, Utility of requirements and the technical requirements of administrative procedures, Degree of objectivity and impartiality of rewards and achievements (Excellence). Percentage of non-native worker to apply for joint venture,

Growth rate of turnover rate of non-native work force, Rates of non-native labor replacement and job leaving, and the average age of the workforce

Investigations of improvement of work life and human resources audit show enhance of indexes of work life quality which are obtained by evaluation of activities of human resources management especially in 3 topics as rewards, Health and Safety, and Organizational improvement.

Unless the non-financial foundation of staffs and customer factors are measured and improved, financial performance and efficiency may not improve. Non-financial foundation of staffs includes

job satisfaction, job security, innovation, efficiency, productivity, and quality of product. Customer factors includes customer services, customer satisfaction.

From a commercial point of view, all unexplained and unplanned absences result in financial expenses and losses and decrease financial performance and profitability. These costs allocate to worker, economics, and whole society.

Audits of human resources management could be valuable tools to evaluate policies and methods to guarantee providing security of work place by company. A secure work place provides job security in staffs. It increases their motivation to work and decreases leaving work. It decreases job absence by employers. Efficiency would be improved based on it and quality of work life would be improved.

If changing situations is essential, results and feedback of audit could be used in practical plans of development for these changes. Consequently, audit of human resources management could result in improvement of organizational proficiency and better work-life quality (Turban, 2005).

## 2. Literature survey

Rhy halagra (2007) studied on audit of award and profitrewards in banking industry. In this study, human resources management has evaluated activities of reward systems and financial or non-financial incentives, relationship between job satisfaction of employers/ interest of employers and customer satisfaction to confirm and proving that efficiency of organization and financial performance would be increased if job satisfaction of staffs be improved. Because employers of bank are more creative and innovative. In other words, employers of banks who are satisfied of their work pay more attention to satisfaction of their customers.

Therefore, lack of job satisfaction of employers would decrease efficiency. Costs would be increased in such a situation. On the contrary, of job satisfaction of employers would increase efficiency and financial performance of organization.

Ventrisca (2008) studied about outputs of human resources. results of this study showed that disorders and disease and stress would decrease efficiency of work. In addition, work absence due to disease would decrease efficiency.

Mathew (2007) investigated entitled as " relationship between organizational culture and efficiency and quality". This study was implemented in Indian software. The first stage has applied qualitative method and would study important aspects of organizational culture, efficiency and quality and relationship between organizational culture and efficiency and quality. Second stage analyzes quantitative analysis of these relationships. According to results of this study, audit of human resources management and cultural process of organization would impact on efficiency and quality and commercial knowledge and proficiency of organization.

Galieh (2003) investigated entitled as “work life quality”. Questionnaire is used as tool of investigation. According to results of this investigation, evaluates its programs and activities 27. then, it assesses efficiency and proficiency of programs in staffs participation area to improve other criterion of work quality criterion including staffs participation in decision-makings, providing opportunity for staffs to participate in work, providing security at work for staffs, providing suitable educational activities, providing opportunities for excellence and progress at work.

**3. Methodology**

It is an Applied-descriptive Research. Questionnaire and library documents and books were used to collect data and finding relationship between variables. Statistical population of this investigation includes Mobarakeh steel company. In order to select statistical society in this factory, managers were classified into 3 classes as the top, middle and operational levels.

Sample size was estimated using Cochran formula. Face validity was used to examine validity of questionnaire. The questionnaire was distributed among some teachers and experts including managers guider teacher. They were asked about each question of the questionnaire and evaluation of questions of this investigation. Credibility of questionnaire was examined by calculating Cronbach's alpha. Data was analyzed by SPSS software.

Likert was used in order to record ideas of managers about results of evaluation of indexes both before and after human resources management audit. The scale of 1 to 5 was used in order to evaluate indexes. Hypothesis of this research were tested based on it.

**4. Discussion and results**

In general, the age, sex and education level in the sample was as follows:

**Table 2: sex**

	Valid percentage	percentage	Valid percentage	Cumulative percentage
woman	0	0	0	0
man	159	100	100	100
	159	100	100	total

**Table 3: education**

	Valid percentage	percentage	Valid percentage	Cumulative percentage
bachelor	56	56	89	56
MA	39	39	62	95
PH.D	5	5	8	100
Total	100	100	159	

**Table 4: age**

	Valid percentage	percentage	Valid percentage	Cumulative percentage
25-30	3	1.89	1.89	1.89
30-35	22	13.84	13.84	15.73
35-40	39	24.53	24.53	40.26
40-45	34	21.38	21.38	61.64
45-50	40	25.16	25.16	86.8
50-55	21	13.20	13.20	100
total	159	100	100	

5000 people work in Mobarakeh steel company. It was attempted to use managers with more work background who had more education grade. There were some problems in this way including difficult accessibility to managers and lack of desire of managers to answer the questions due to lack of time. Finally, questionnaire was distributed among 159 managers of the company based on random sampling.

According to Table 1, the sample for this study comprised men completely.

According to Table 2, the most Statistical frequency was 51% with 53 people of work background between 1-5 years . the less statistical

frequency was 4% with 3 people for more than 10 years.

According to table 3, the most statistical frequency was 66% with 68 people of bachelor degree. The less statistical frequency was 1.8% for Ph. D with 2 people.

Test of hypothesis

Hypothesis 1: Audit of human resources management impacts on key outputs improvement of organization.

A mean test was used in order to study impact of implementing audit of human resource management on key outputs of organization including efficiency, work life quality and profit.

Mean of viewpoints of 159 people about organizational criterion before audit= 2.7947

Mean of viewpoints of 159 people about organizational criterion after audit= 3.0888

After implementing these 2 stages, Paired comparison test was implemented in 95% level (5% error level).

H0: there is no significant difference between key criterion outputs of organization before and after human resources management.

H1: there is significant difference between key criterion outputs of organization before and after human resources management.

According to this test, absolute of -4.371 was more than t- amount in 5% level, in freedom degree as 1.658.

Therefore, H0 was rejected. So, there is difference between key outputs of organization both before and after audit. It shows that audit of human resources impacts on key outputs of organization. On the other hand, t- amount is less than zero. Difference is -0.29412. It shows that current situation is better than last situation. Therefore, audit of human resources management results in improvement of key outputs of organization.

**Table 5:** T-test results for three key organizational variables - statistical paired comparison test

	Viewpoints of people	Number of samples	SD	Deviation of the mean error
society 1: Mean of total variables before human resources management audit	2.7947	159	0.39806	0.06827
society 2: Mean of total variables after human resources management audit	3.0888	159	0.52205	0.08953

**Table 6:** T-test results for the three key variables- Comparing the pair correlation test

	Number of samples	Correlation	Sig
society 1: Mean of total variables before human resources management audit society 1: Mean of total variables after human resources management audit	159	0.667	0.000

**Table 7:** T-test results for the three key organizational variables - pair comparisons test

	Mean difference	SD	Paired difference		Value of T	Degrees of freedom	Sig (2-tailed)
			Deviation of the mean error	Difference (distance) 95% ensurance Low limit   High limit			
society 1: Mean of QWL indicators before human resource management audit society 2: Mean of QWL indicators after human resource management audit	-0.29412	0.39237	0.06729	-0.43102   -0.15721	-4.371	158	0.000

Evaluation of activities of human resources management has been successful in Mobarakeh steel company.

Results of tomy et al (2004) was similar to results of this research. No Pasand et al, (2006) resulted in improvement of outputs of organization. Both audits of human resources management resulted in improvement of organizational outputs.

**5. Conclusion**

All samples included men because there is not many woman manager in Mobarakeh steel company. The most Statistical frequency was 51% with 53 people of work background between 1-5 years . The less statistical frequency was 4% with 3 people for more than 10 years. The most statistical frequency was 66% with 68 people of bachelor degree. The less statistical frequency was 1. 8% for Ph. D with 2 people. Audit of human resources management

impacts on improvement of key outputs of organization

**5.1. Suggestions**

A suggestive model of research based on results of analyzing data

Criteria that have the most impact on audit of human resources management are calculated by Freedman test . a model is offered composed of 4 variables. Deleting criteria with less mean than their amount before audit of human resource is considered.

Criteria of human resources quality, improving product delivery to customer, providing suitable information about work for customer, providing opportunity for workers to participate at work, applying innovative policies, evaluating dynamic performance of employers are some criteria about efficiency. Audit of human resources management has the first position to improve work life quality.

Then, suitability of implementing instrumental activities, increasing skill level of staffs, suitability of hygiene and work place health and forming work groups to cooperative decision-making has the second position to impact on work life quality. Applying innovative policies, enhancing quality of product, satisfaction of customer about product,

impact on profit amount after implementing audit of human resources management. The following model is suggested about effect of audit of human resources management to improve key outputs of organization in Mobarakeh steel company according to above information:

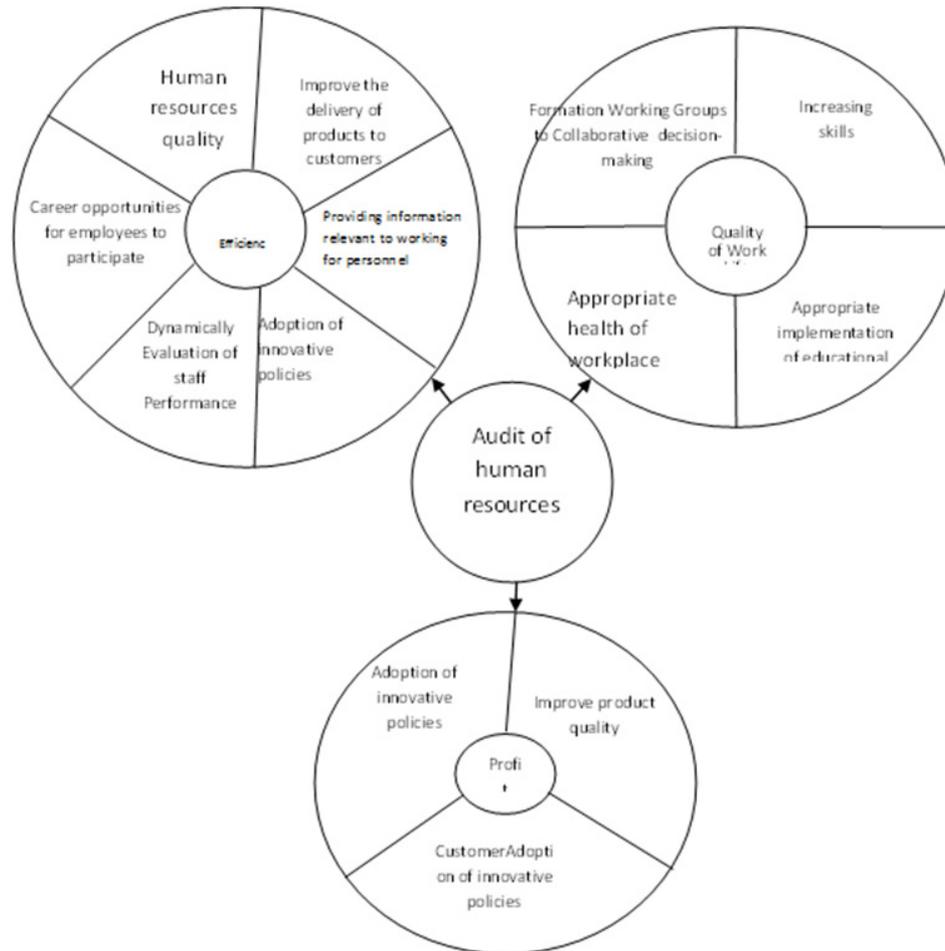


Fig. 2: the suggestive model of research by freedman test

## 5.2 Limitations of research

Managers were busy. So, they did not have enough time to answer the questions. Finding suitable place domain. Providing suitable time domain in Mobarakeh steel company.

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